



**City of Philadelphia
Office of the City Controller**

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Controller's Office Releases Performance Audit of the HealthChoices Behavioral Healthcare Program

Philadelphia, PA – The Office of the City Controller released its performance audit of the HealthChoices Behavioral Healthcare Program (HealthChoices) for fiscal year 2017, the first review by the Controller's Office in 20 years of the now \$1 billion program. HealthChoices is administered by Community Behavioral Health (CBH), a non-profit quasi-governmental agency, under the oversight of the City of Philadelphia's Department of Behavioral Health and Intellectual disAbility Services (DBHIDS). The audit identified issues with documentation, the reimbursement process, procurement, and a lack of oversight and accountability in CBH's administration of HealthChoices and DBHIDS' oversight of CBH.

"As we emerge from the COVID-19 pandemic, we are still in the middle of two very serious public health crises: gun violence and opioids. As our communities attempt to heal from the trauma of these unrelenting realities, we must do everything we can to ensure access to high quality behavioral health services. This includes looking at how the organizations tasked with leading this charge are operating and spending taxpayer dollars," said City Controller Rebecca Rhynhart. "Every breakdown in policies and procedures and every unnecessary administrative expense means resources not being used effectively to help our most vulnerable Philadelphians at this critical time."

Under a contract with DBHIDS, CBH serves as the Managed Care Organization for HealthChoices, the Commonwealth of Pennsylvania's program for delivering mental health and/or drug and alcohol services to medical assistance recipients, in Philadelphia county. DBHIDS disperses Medicaid funds from the Commonwealth of Pennsylvania for the program to CBH. CBH contracts with third party healthcare providers and reimburses them for services provided to patients through local programs. CBH is responsible for monitoring and oversight of its service providers, as well as administrative support services, while DBHIDS serves as the oversight function for CBH. To assist with the audit, the Controller's Office engaged Mercadien, P.C., Certified Public Accountants as subject matter experts to provide consulting services and conduct a second phase of the engagement. The audit aimed to determine whether CBH and DBHIDS were properly and effectively using public financial resources in the administration of HealthChoices to support Philadelphians in need of behavioral health services.

As detailed below, the audit found that CBH paid providers administering services under the Community Integrated Recovery Centers (CIRC) program more than \$10 million for services that were based on program

capacity estimates rather than the actual number of patients served. Additionally, two providers defaulted on repaying advances from CBH, one in the amount of \$236,574 and another in the amount of \$3,835,000. CBH has also not returned \$1.1 million owed to the City's HealthChoices Behavioral Health Fund.

Findings and observations from the report include:

Lack of Oversight and Accountability – Auditors found that CBH did not follow its established guidelines and processes for temporary advances to providers or provider rate increases, including many instances in which approval for the transactions were not properly documented. As noted, while most providers did repay the advances, two providers defaulted on repayment, one in the amount of \$236,574, and another in the amount of \$3,835,000. It does not appear that DBHIDS provided any oversight or monitoring of CBH's compliance with its own policies for advances or rate increases for providers.

The audit also found that the payment structure of the CIRC program run by CBH since 2007 was not cost effective. Providers administering services under the CIRC program received a fixed payment for contracted capacity, regardless of whether actual client counts met capacity expectations. As noted previously, this resulted in CBH paying CIRC providers \$10.4 million for services that were not provided to actual patients during fiscal year 2017. DBHIDS and CBH stated that this payment structure was changed in fiscal year 2019 to more accurately reflect the services rendered.

Finally, it does not appear that DBHIDS performed any review of CBH's administrative expenses for appropriateness. For example, CBH submitted and DBHIDS approved nearly \$150,000 in expenses related to CBH's 20th anniversary celebration and more than \$54,000 in various health and wellness programming for CBH staff. This included a Weight Watchers program and personal trainers, dance instructors, and exercise equipment used during in-house yoga and Zumba classes.

Issues with Documentation – Providers are required to maintain key clinical documentation to support Medicaid-related claims, demonstrate the quality of care provided, and show patient progress. Of 284 transactions selected for testing across 27 providers, the audit identified 149 instances of non-compliance with documentation requirements. Auditors noted that CBH's own monitoring efforts identified similar and significant claims-related deficiencies, such as insufficient or missing documentation, incomplete treatment plans, billings for non-billable services, conflicting information in supporting documentation, re-use of progress notes and late entries in progress notes. Despite this, CBH did not increase scrutiny or monitoring of providers with documentation issues. These examples of poor documentation and the lack of increased scrutiny and monitoring by CBH call in to question the validity of reimbursements, the services provided, and the quality of care administered.

Lack of Transparency in the Procurement Process – CBH is defined as a "City-Related Agency" under the Philadelphia Code. As such, CBH is subject to certain criteria related to procurement and contracting. Auditors identified several instances in which CBH's procurements violated the Philadelphia Code, as well as instances in which CBH failed to follow its own internal procurement protocols. Specifically, CBH entered into sole source contracts for professional services, including one contract for consulting services that was awarded to a then-current CBH employee. CBH also entered into three separate administrative contracts utilizing old RFPs to procure services without issuing a new RFP. It does not appear that DBHIDS reviewed the award for any of these contracts. These examples call into question whether these procurements were transparent and represent an efficient use of public resources.

Weaknesses in the Processes for Reimbursement – The engagement identified several instances in which CBH incorrectly requested and received reimbursements from DBHIDS. Specifically, from February 2014 through June 2018, CBH submitted duplicate expenses totaling more than \$6.4 million to DBHIDS for reimbursement. While the \$6.4 million was ultimately returned to the City of Philadelphia, CBH and DBHIDS’s review processes failed to identify duplicative invoices prior to reimbursement and to identify the over reimbursements in a timely manner. Moreover, from July 2014 through December 2017, CBH submitted reimbursement requests for transactions that were voided, totaling nearly \$1.5 million. Of that, nearly \$1.1 million was still not returned to the City’s HealthChoices Behavioral Health Fund as of March 2020. In its response to the audit, DBHIDS did not address the outstanding \$1.1 million, as HealthChoices reports submitted to the Commonwealth of Pennsylvania as a whole were not affected by this discrepancy. However, this over reimbursement should be returned to the City from CBH so it can be properly tracked by DBHIDS. The lack of internal controls over the reimbursement processes could increase the likelihood for fraud, waste or abuse to occur undetected.

As part of the audit, the Controller’s Office and Mercadien, P.C. provided recommendations to improve CBH’s administration of the HealthChoices Program, as well as DBHIDS’s oversight of CBH’s operations. The full report, including recommendations and DBHIDS’s response to the findings and observations, is available [here](#).